


**KEY
ANACON
MINES**
LIMITED

file

NINETEENTH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31ST, **1966**



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/KeyA0478_1966

KEY ANACON MINES LIMITED

BOARD OF DIRECTORS

M. J. BOYLEN, D.C.L., D.Sc. Toronto 18, Ontario
PHILIP E. BOYLEN Toronto 18, Ontario
WILLIAM C. DURHAM Toronto, Ontario
D. W. GORDON, F.C.I.S. Toronto, Ontario
ROBERT J. ISAACS, B.A.Sc., P.Eng. Islington, Ontario
FRED JUSTER Montreal, Quebec
GORDON L. MOORE Islington, Ontario

OFFICERS

M. J. BOYLEN, D.C.L., D.Sc. President and Managing Director
D. W. GORDON, F.C.I.S. Vice-President
GORDON L. MOORE Secretary-Treasurer
CHARLES B. BRANNIGAN Assistant Secretary

REGISTRARS AND TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA Toronto, Montreal, and Vancouver
THE BANK OF NEW YORK New York City, New York

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON, Chartered Accountants,
101 Richmond St. W., Toronto, Ontario

HEAD OFFICE

SUITE 908, 330 BAY STREET Toronto, Ontario

KEY ANACON MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Nineteenth Annual Report of the Company covering the year ended December 31, 1966 is submitted for your consideration.

PARISH OF BATHURST,
GLOUCESTER COUNTY,
NEW BRUNSWICK

Development

Mine development was carried out through July of 1966 at which time, in order to reduce expenditures pending senior financing, your Directors made the decision to place the property on a standby basis. Since that time, the mine has been kept pumped out and available for inspection, if required, for financing.

During the first seven months of the year, some 2,258 feet of stope development was performed along with 5,211 feet of related diamond drilling.

The Number One Stope is now ready for mining. It contains some 400,000 tons of ore grading over 12 percent combined lead and zinc as well as 3 ounces of silver per ton. This stope is expected to produce 600 tons per day. The underground operation could be put into production at 800 tons per day in a matter of three to four months.

Ore Reserves

During the period, an additional 20,000 tons were added to the ore reserves. These are now calculated at 1,839,000 tons of the following grade:

3.03% Lead	7.43% Zinc	0.20% Copper
2.67 oz. Silver/Ton		

Possible ore in the order of 575,000 tons is contained in the No. 1 and No. 3 zones which to date, have been explored only by a limited amount of surface drilling. The estimated grade of these, based on surface drilling results is:

1.62% Lead	6.39% Zinc	1.70 oz. Silver/Ton
------------	------------	---------------------

It is felt that these zones as well as other areas on the property, present excellent possibilities for increasing the overall ore potential.

OTHER MINING PROPERTIES

Chibougamau, Quebec

The gold-copper mining property situate in Rohault and La Dauversier Townships, Quebec, held by the Company under Development Licenses and through Mining Concessions, comprising an area of approximately 1,716 acres is maintained in good standing. The mining claims and Mining Concessions in Cadillac Township, Quebec, are also continued in good standing. No exploration or development work was carried out thereon during the past year.

Lac Romanet, Quebec

The group of 16 mining claims in the Lac Romanet area of Quebec are continued in good standing. No exploration was undertaken by the Company on this copper prospect during 1966.

Townships of McGarry and McFadden, Ontario

The Company's 24 patented mining claims in the Townships of McGarry and McFadden, Ontario, comprising an area of 726.97 acres, are continued in good standing. No additional exploratory work has been carried out by the Company on this area for some time as a result of the continued low price for gold.

GENERAL

Some major mining and industrial corporations have the New Brunswick property under consideration regarding senior financing. However, no definite commitments have been made to date.

As set forth in Note 1 to the Financial Statements, the shares of Brunswick Mining and Smelting Corporation Limited are pledged as security for the bank loan. Subsequent to year end 325,800 shares have been sold and the proceeds thereof have been applied to outstanding interest and principal of bank loan.

On behalf of the Board of Directors,

M. J. BOYLEN,
President.

Toronto, Ontario.
April 24, 1967.

Thorne,
Gunn,
Helliwell
& Christenson

THORNE, MULHOLLAND, HOWSON & McPHERSON

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1966 and the statements of retained earnings, contributed surplus and deferred development and administrative expenses for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 12, 1967

Thorne, Mulholland, Howson & McPherson
Chartered Accountants

KEY ANACON

Incorporated and

Balance Sheet De

(with comparati

ASSETS

CURRENT ASSETS:

	<u>1966</u>	<u>1965</u>
Cash		2,718
Accounts receivable	1,497	29,139
Prepaid expenses	2,902	3,802
	<u>4,399</u>	<u>35,659</u>

OTHER ASSETS:

Investments (Schedule A)	3,325,820	3,345,820
Stores and supplies, at cost	37,318	39,614
	<u>3,363,138</u>	<u>3,385,434</u>

MINING PROPERTIES, LAND, BUILDINGS, PLANT AND EQUIPMENT, DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES (Schedule B)

Mining properties	223,355	225,155
Land, buildings, plant and equipment	574,960	567,219
Deferred development and administrative expenses	5,467,605	4,942,835
	<u>6,265,920</u>	<u>5,735,209</u>

<u>\$9,633,457</u>	<u>\$9,156,302</u>
--------------------	--------------------

The accompanying schedules and notes

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

MINES LIMITED

the laws of Ontario

December 31, 1966

(figures for 1965)

LIABILITIES

CURRENT LIABILITIES	1966	1965
Bank advances (note 1)	101,957	240,000
Accounts payable and accrued liabilities	290,353	143,684
Instalment due within one year on convertible debentures	180,000	180,000
	<u>572,310</u>	<u>563,684</u>
Bank loan (note 1)	2,875,000	3,375,000
6% Convertible debentures (note 2)	720,000	900,000
Less instalment due within one year included under current liabilities	180,000	180,000
	<u>540,000</u>	<u>720,000</u>
	<u>3,987,310</u>	<u>4,658,684</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized, 6,000,000 shares of the par value of 20 cents each		
Issued, 5,198,686 shares	1,039,737	924,651
Contributed surplus	3,162,795	2,109,302
Retained earnings	1,443,615	1,463,665
	<u>5,646,147</u>	<u>4,497,618</u>
	<u>\$9,633,457</u>	<u>\$9,156,302</u>

is an integral part of this statement.

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1966

1. BANK ADVANCES AND LOANS:

Bank indebtedness is secured by pledge of shares of Brunswick Mining and Smelting Corporation Limited.

2. CONVERTIBLE DEBENTURES:

The principal amount is repayable in equal annual instalments of \$180,000 on the 15th day of October, 1967 to 1970 inclusive.

Debentures are convertible at the option of the holder, at any time up to the close of business on the day immediately preceding any annual principal repayment date, into one share of capital stock of the company for each one dollar of debenture principal.

3. CAPITAL STOCK:

During the year the company issued the following shares:

395,432 for cash at \$2.50 per share
180,000 on conversion of debenture
<hr/>
575,432
<hr/>

SCHEDULE A

INVESTMENTS

December 31, 1966

	No. of Shares	
Brunswick Mining and Smelting Corporation Limited (note 1)	921,700	3,180,705
Hewbet Mines Limited	400,000	130,000*
Bachelor Lake Gold Mines Limited (note 2)	125,000	9,375*
Bocabois Gold Mines Limited (note 2)	164,000	5,740*
		<hr/>
		\$3,325,820
		<hr/>

*figures represent cost.

NOTE 1:

In 1953 the company received 772,400 shares of Brunswick Mining and Smelting Corporation Limited as consideration for interest in mining claims. These shares were valued by the company at that time at \$20 per share. In 1960, by resolution of the Board, these shares were reduced to \$3 per share, being the approximate quoted market value as at December 31, 1960. Other shares are valued at cost.

NOTE 2:

Acquired from New Larder "U" Island Mines Limited 1955 under the terms of the plan of re-organization dated December 17, 1954.

NOTE 3:

The quoted market value of investments is \$8,776,150 (\$14,767,200 in 1965) in the aggregate but, because of the large blocks of shares involved, quoted market value is not necessarily indicative of the amount that might be realized if these investments were to be sold.

KEY ANACON MINES LIMITED

MINING PROPERTIES, LAND, BUILDINGS, PLANT AND EQUIPMENT DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES

December 31, 1966

	Mining properties	Land buildings, plant and equipment	Deferred development and administrative expenses	Total
24 Patented mining claims in the Township of McGarry and McFadden, Ontario, at cost	2,200			2,200
2 Mining Licenses comprising 2,242 acres in Parish of Bathurst, County of Gloucester, New Brunswick, at cost	66,340	531,705	2,078,275	2,676,320
32 Mining claims and 3 mining concessions in the Township of Rohault and La Dauversiere, Chibougamau Area, Quebec, at cost	119,945	43,255	2,357,077	2,520,277
Less written off to date			637,789	637,789
	119,945	43,255	1,719,288	1,882,488
11 Mining claims and 2 mining concessions in Township of Cadillac, Quebec, at cost	15,000			15,000
16 Mining claims in the Lac Romanet Area, Quebec, at cost	19,870		8,843	28,713
36 Mining claims in the Batchawana River Area, Ontario, at cost	1,800		3,981	5,781
Less written off during year on abandonment	1,800		3,981	5,781
	—		—	—
	223,355	574,960	3,806,406	4,604,721
Administrative expenses			1,661,199	1,661,199
	<u>\$ 223,355</u>	<u>\$ 574,960</u>	<u>\$5,467,605</u>	<u>\$6,265,920</u>

KEY ANACON MINES LIMITED

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Retained earnings at beginning of year	1,463,665	1,467,561
DEDUCT		
Organization expense written off		3,896
Mining claims and deferred mine development, Batchawana River Area, written off	5,781	
Abandonment of claims staked during year	1,924	
Loss on disposal of investment	12,345	
	20,050	3,896
Retained earnings at end of year	<u>\$1,443,615</u>	<u>\$1,463,665</u>

STATEMENT OF CONTRIBUTED SURPLUS

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Contributed surplus at beginning of year	2,109,302	2,109,302
Premium on shares issued during the year	1,053,493	
Contributed surplus at end of year	<u>\$3,162,795</u>	<u>\$2,109,302</u>

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES

Year ended December 31, 1966

	Balance at beginning of year	Written-off during year	Expenses for year	Balance at end of year
DEVELOPMENT EXPENSES				
New Brunswick property	1,856,900		221,375	2,078,275
Chibougamau property	1,717,615		1,673	1,719,288
Lac Romanet property	8,413		430	8,843
Batchawana River property	3,981	3,981		
	3,586,909	3,981	223,478	3,806,406
Administrative expenses	1,355,926		305,273	1,661,199
	<u>\$4,942,835</u>	<u>\$ 3,981</u>	<u>\$ 528,751</u>	<u>\$5,467,605</u>

KEY ANACON MINES LIMITED

DEVELOPMENT EXPENSES

Year ended December 31, 1966

(with comparative figures for 1965)

NEW BRUNSWICK PROPERTY

	1966	1965
Dewatering and mine rehabilitation	10,577	3,072
Plant rehabilitation		455
Substations, loading and spill pockets	119	346
Ore and waste passes	8,406	60,140
Drifting, crosscutting and diamond drilling	18,068	217,030
Stope preparation	110,179	93,519
Raisings	9,320	60,155
Surface exploration and diamond drilling	1,925	8,435
Miscellaneous		227
	<u>158,594</u>	<u>443,379</u>
MINE OFFICE OVERHEAD		
Staff house and residence expense	1,041	2,860
Engineering fees and expense	10,154	11,690
Fire protection	6,028	7,983
Travel and freight	2,250	2,764
Insurance and taxes	12,779	8,843
Mine office and warehouse expense	12,076	18,611
Experimentation and research		3,060
Snow removal and road maintenance	1,172	2,902
Superintendence	9,432	19,536
Employee benefits	11,151	22,858
Sundry	56	488
	<u>66,139</u>	<u>101,595</u>
Less rentals on residences and equipment	3,358	1,633
	<u>62,781</u>	<u>99,962</u>
	<u>\$ 221,375</u>	<u>\$ 543,341</u>

CHIBOUGAMAU PROPERTY

Equipment rental income	936	1,708
Salvage and recovery of prior years' expenses	100	3,516
	<u>1,036</u>	<u>5,224</u>

DEDUCT EXPENSES

Mining licenses and fees	2,607	957
Taxes	102	112
	<u>2,709</u>	<u>1,069</u>

LAC ROMANET PROPERTY

Exploration	<u>\$ 430</u>	<u>\$ 210</u>
-------------------	---------------	---------------

KEY ANACON MINES LIMITED

ADMINISTRATIVE EXPENSES

Year ended December 31, 1966

(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Interest and bank charges, including debenture interest of \$52,161 (\$40,175 in 1965)	230,988	244,231
Transfer agent and registrar fees	14,507	6,294
Administration	30,000	12,000
Reports to shareholders	3,189	3,799
Printing, stationery and postage	10,652	17,967
Maps and blueprints	54	1,405
Telephone and telegraph	684	1,255
Engineering and consulting fees	3,663	5,552
Travel expense	2,721	5,097
Filing, listing and sustaining fees	420	870
Legal and audit	1,750	2,453
Directors' fees	6,000	1,600
Sundry	1,071	798
	<u>305,699</u>	<u>303,321</u>
Deduct interest and discounts received	426	1,028
	<u>\$ 305,273</u>	<u>\$ 302,293</u>

